

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

**FINANCIAL REPORT**  
**(Excluding the Membership Account Fund)**

**As of and for the Year Ended December 31, 2011**



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# HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Hahnville, Louisiana

## FINANCIAL REPORT (Excluding the Membership Account Fund)

As of and for the year ended December 31, 2011

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# **HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**

Hahnville, Louisiana

## **FINANCIAL REPORT**

(Excluding the Membership Account Fund)

As of and for the year ended December 31, 2011

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Hahnville Volunteer Fire Department, Inc.  
Hahnville, Louisiana**

We have audited the accompanying financial statements of the general fund of the Hahnville Volunteer Fire Department, Inc. (the department) as of and for the year ended December 31, 2011, which collectively comprise the department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1A, the financial statements present only the general fund. They do not purport to, and do not present fairly the financial position of the department as of December 31, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1O to the financial statements, effective January 1, 2011, the department implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Hahnville Volunteer Fire Department, Inc., as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Thibodaux, Louisiana  
June 21, 2012

## **Required Supplemental Information**

# **HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**

Hahnville, Louisiana

## **Management's Discussion and Analysis (Excluding the Membership Account Fund) For the year ended December 31, 2011**

Our discussion and analysis of the Hahnville Volunteer Fire Department, Inc.'s (the department) (excluding the Membership Account Fund) financial performance provides an overview of the department's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the department's financial statements, which begin on page 9.

### **FINANCIAL HIGHLIGHTS**

- The department's assets exceeded its liabilities at the close of 2011 by \$1,880,735.
- Cash and cash equivalents increased by \$126,451 or 44% from the prior year.
- Net assets increased by \$44,847 or 2.4% from the prior year.
- The department's revenues totaled \$359,552 for the year ended December 31, 2011. These revenues are comprised primarily of taxes, state revenue sharing, fire insurance rebates and interest income. Revenues increased by \$11,069 or 3.2% in comparison to the prior year.
- The department's expenses totaled \$314,705 for the year ended December 31, 2011. These expenses are comprised primarily of personnel services and operating services. Expenses decreased by \$73,425 or 18.9% in comparison to the prior year.

### **USING THIS ANNUAL REPORT**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 9 and 10 provide information about the financial activities of the department and illustrate a longer-term view of the department's finances. Fund financial statements start on page 11. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the department's operations in more detail than the government-wide sections of the statements by providing information about the department's significant funds.

#### **A. REPORTING ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS**

##### **1. The Statement of Net Assets and the Statement of Activities**

The government-wide financial statements present financial information for the activities of the department from an economic resource measurement focus using the accrual basis of accounting. They present governmental activities, such as general government, separately from business-type activities. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the department's net assets and the change in them. These net assets, the difference between the assets and the liabilities, are ways to measure the department's financial position or financial health. Over time, increases or decreases in the department's net assets are indicators of whether its financial health is improving or deteriorating.

# HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Hahnville, Louisiana

Management's Discussion and Analysis  
(Excluding the Membership Account Fund)  
For the year ended December 31, 2011

## B. REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS

### 1. Fund Financial Statements

The fund financial statements provide detailed information about the department's General Fund. All of the department's expenditures, except those from the Membership Account Fund, are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could readily be converted to cash. The governmental fund statements provide a detailed short-term view of the department's general operations and the expenditures paid from this fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future department expenditures. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in reconciliations on pages 13 and 14.

## AN ANALYSIS OF THE DEPARTMENT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

### A. STATEMENT OF NET ASSETS

The following amounts reflect condensed information on the department's net assets:

	2011	2010
<b>Assets</b>		
Current assets	\$ 646,277	\$ 490,256
Noncurrent assets	1,236,116	1,348,948
<b>Total assets</b>	<u>1,882,393</u>	<u>1,839,204</u>
<b>Liabilities</b>		
Current liabilities	1,658	3,316
Long-term liabilities	-	-
<b>Total liabilities</b>	<u>1,658</u>	<u>3,316</u>
<b>Net Assets</b>		
Investment in capital assets, net of related debt	1,236,116	1,348,948
Unrestricted	644,619	486,940
<b>Total net assets</b>	<u>\$ 1,880,735</u>	<u>\$ 1,835,888</u>

- Current assets for the year increased by \$156,021 or 31.8%. This increase is attributable to cash and cash equivalents increase of \$126,451 and an increase in sales taxes receivable of \$19,465.

# HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Hahnville, Louisiana

## Management's Discussion and Analysis (Excluding the Membership Account Fund) For the year ended December 31, 2011

- At the end of the year, the department had noncurrent assets of \$1,236,116. This was comprised of \$108,241 in nondepreciable land and \$2,493,752 of depreciable capital assets net of \$1,365,876 accumulated depreciation. During the year, the department purchased \$4,623 in capital assets, \$1,423 for a computer surveillance system and \$3,200 for a new copier. There were no dispositions in the current year.
- Total current liabilities at the end of the year were \$1,658. This reflects a \$1,658 or 50% decrease from the prior year. This decrease is due to a current year decrease in accounts payable. The department does not have any long term liabilities.
- Based upon the operations of 2011, the department's net assets increased by \$44,847 or 2.4% and resulted in ending net assets of \$1,880,735.

### B. STATEMENT OF ACTIVITIES

The following table illustrates the revenues and expenses that produced the increase in net assets for the fiscal year.

	2011	2010
<b>Revenue</b>		
Capital grants	\$ -	\$ 25,000
Operating grants	-	8,429
General revenue	359,552	315,054
Total revenue	359,552	348,483
<b>Expenses</b>		
Public safety - fire protection	314,705	388,130
Total expenses	314,705	388,130
<b>Change in net assets</b>	44,847	(39,647)
<b>Net assets:</b>		
<b>Beginning of the year</b>	1,835,888	1,875,535
<b>End of the year</b>	\$ 1,880,735	\$ 1,835,888

- Total revenue for the year was \$359,522. This amount is \$11,069 or 3.2% higher than last year. This increase is attributable to an increase in sales tax revenue of \$28,475.
- Total expenses for the year were \$314,705. This amount is \$73,425 or 18.9% lower than last year. While several expenditures decreased slightly, the largest decrease was from the prior year return of donated property of \$35,725.

# **HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**

Hahnville, Louisiana

## **Management's Discussion and Analysis (Excluding the Membership Account Fund) For the year ended December 31, 2011**

- Based upon the operation of 2011, the department's net assets increased by \$44,847 and resulted in ending net assets of \$1,880,735.

### **GOVERNMENTAL FUND**

The department uses funds to help control and manage money for particular purposes. At the completion of the year, the department's governmental fund reported an increase in fund balance of \$144,145 or 46.3% and resulted in ending fund balance of \$455,448.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

During the year, the department purchased \$4,623 in capital assets and had no dispositions.

The department has no long-term debt.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The department applies for grants numerous times throughout the year. As of the financial statement date, the department has applied for two grants, totaling \$35,000. However, approval is uncertain.
- The department will have to pay back \$71,412 to the Governor's Office of Homeland Security & Emergency Preparedness (GOHSEP) in March of 2012. This is for the partial return of grant revenues received by the department for its efforts after Hurricane Katrina. The GOHSEP determined that the department did not maintain adequate timesheets to substantiate the cost of labor in these efforts.
- The department does not foresee any significant changes to its operation in 2012.

### **CONTACTING THE FIRE DEPARTMENT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the department's finances and to show the department's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Chief Reggie Gaubert, P.O. Box 213, Hahnville, Louisiana 70057.

### **CLOSING COMMENTS**

The department continues to closely monitor the use of its funds to ensure that the funds are spent wisely. We are very proud of the progress that has been made throughout the parish in fire protection to all our citizens.

# **Basic Financial Statements**

## **Government-Wide Financial Statements**

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**Hahnville, Louisiana**

**Statement of Net Assets**  
**(Excluding the Membership Account Fund)**  
**December 31, 2011**

	<b>Governmental Activites</b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 277,708
Cash equivalents	136,323
Receivables:	
Ad valorem taxes	189,172
Sales taxes	43,074
Total current assets	646,277
Noncurrent assets:	
Capital assets, not being depreciated	108,240
Capital assets, net of accumulated depreciation	1,127,876
Total noncurrent assets	1,236,116
<b>Total assets</b>	<b>\$ 1,882,393</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 635
Accrued payroll and related expenses	1,023
Total current liabilities	1,658
<b>Total liabilities</b>	<b>\$ 1,658</b>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	\$ 1,236,116
Unrestricted	644,619
<b>Total net assets</b>	<b>\$ 1,880,735</b>

The accompanying notes are an integral part of this statement.

# HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.

## Hahnville, Louisiana

### Statement of Activities (Excluding the Membership Account Fund) For the Year Ended December 31, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<b>Expenses:</b>					
Governmental activities:					
Public safety - fire protection:					
Salaries and related benefits	\$ 53,737	\$ -	\$ -	\$ -	\$ (53,737)
Repairs and maintenance	30,491	-	-	-	(30,491)
Professional services	4,546	-	-	-	(4,546)
Insurance	26,405	-	-	-	(26,405)
Fuel	5,143	-	-	-	(5,143)
Supplies and materials	1,968	-	-	-	(1,968)
Utilities and telephone	15,399	-	-	-	(15,399)
Personnel	8,707	-	-	-	(8,707)
Fire prevention	1,540	-	-	-	(1,540)
Dues and subscriptions	7,604	-	-	-	(7,604)
Office expense	4,774	-	-	-	(4,774)
Meetings and conventions	17,561	-	-	-	(17,561)
Installation of officers	4,519	-	-	-	(4,519)
Meals	3,771	-	-	-	(3,771)
Medical	11,075	-	-	-	(11,075)
Miscellaneous	11	-	-	-	(11)
Depreciation expense	117,454	-	-	-	(117,454)
<b>Total governmental activities</b>	<b>\$ 314,705</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (314,705)</b>

**General Revenues:**

Ad valorem tax	\$ 184,868
Sales tax	158,943
Fire insurance rebate	12,965
Interest income	1,276
Insurance claims	1,500

**Total general revenues** \$ 359,552

**Change in net assets** 44,847

**Net assets:**

**Beginning of the year** \$ 1,835,888

**End of the year** \$ 1,880,735

The accompanying notes are an integral part of this statement.

# **Basic Financial Statements**

## **Fund Financial Statements**

# HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.

## Hahnville, Louisiana

### Balance Sheet - Governmental Fund (Excluding the Membership Account Fund) December 31, 2011

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 277,708
Cash equivalents	136,323
Receivables:	
Ad valorem taxes	189,172
Sales taxes	<u>43,074</u>
<b>Total assets</b>	<u><u>\$ 646,277</u></u>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>Liabilities</b>	
Accounts payable	\$ 635
Accrued payroll and related expenses	1,023
Deferred revenue	<u>189,171</u>
<b>Total liabilities</b>	<u>\$ 190,829</u>
<b>Fund equity and other credits</b>	
Fund balance:	
Unreserved - unassigned	<u>\$ 455,448</u>
<b>Total fund equity and other credits</b>	<u>\$ 455,448</u>
<b>Total liabilities, fund equity and other credits</b>	<u><u>\$ 646,277</u></u>

The accompanying notes are an integral part of this statement.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**Hahnville, Louisiana**

**Statement Revenues, Expenditures, and Changes in Fund Balances**

**- Governmental Fund**

**(Excluding the Membership Account Fund)**

**For the Year Ended December 31, 2011**

	<b>General Fund</b>
<b>Revenues</b>	
Ad valorem tax	\$ 171,334
Intergovernmental revenues:	
Fire insurance rebate	12,965
Sales tax	158,943
Interest	1,276
<b>Total revenues</b>	<b>\$ 344,518</b>
<b>Expenditures</b>	
Public safety - fire protection:	
Current:	
Repairs and maintenance	\$ 30,491
Professional services	4,546
Insurance	37,843
Fuel	5,143
Materials and Supplies	1,968
Utilities and telephone	15,399
Personnel	8,707
Fire prevention	1,540
Salaries and payroll taxes	42,299
Dues and subscriptions	7,604
Office expense	4,774
Meetings and conventions	17,561
Installation of officers	4,519
Meals	3,771
Medical	11,075
Miscellaneous	10
Capital Outlay:	
Equipment purchase	4,623
<b>Total expenditures</b>	<b>\$ 201,873</b>
<b>Excess of revenues over/(under) expenditures</b>	<b>142,645</b>
<b>Other Financing Sources (Uses):</b>	
Insurance claims	\$ 1,500
<b>Total other financing sources (uses)</b>	<b>1,500</b>
<b>Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ 144,145</b>
<b>Fund balance</b>	
Beginning of year	311,303
End of year	<b>\$ 455,448</b>

The accompanying notes are an integral part of this statement.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**Hahnville, Louisiana**

**Reconciliation of the Governmental Fund Balance Sheet to the  
Government-Wide Statement of Net Assets  
(Excluding the Membership Account Fund)  
December 31, 2011**

Total Fund Balances - Governmental Funds	\$ 455,448
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet	1,236,116
Ad valorem taxes will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore they are reported as deferred revenue in the fund financial statements.	<u>189,171</u>
Total Net Assets - Governmental activities	<u>\$ 1,880,735</u>

The accompanying notes are an integral part of this statement.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**Hahnville, Louisiana**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
(Excluding the Membership Account Fund)  
For the year ended December 31, 2011**

Net Change in Fund Balances - Governmental Funds	\$	144,145
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Amounts reported for governmental activities in the Statement of  
Activities are different because:

Governmental funds report capital outlays as expenditures. However, in  
the statement of activities, the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense.

Capital assets purchased	\$	4,622	
Depreciation expense		<u>(117,454)</u>	(112,832)

Ad valorem tax revenue in the statement of activities that does not provide  
current resources is not reported as revenue in the fund financial  
statements.

13,534

Change in Net Assets - Governmental activities	\$	<u>44,847</u>
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## **Notes to the Financial Statements**

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

**INTRODUCTION**

The Hahnville Volunteer Fire Department, Inc. (the department) was organized as a non-profit corporation as defined by Revised Statutes of Louisiana Title 12, Section 101 (8). The department is exempt from federal income tax under section 501(c)(4) of the Internal Revenue Code. Its objective is to provide fire protection to the Hahnville and Taft area, Fire Department No.3 of St. Charles Parish.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Funds Excluded From This Report**

This financial report does not include the Membership Account Fund. This fund does not include public funds and is, therefore, not required to be audited. It is the only fund of the department that is not included in these financial statements, notes, and reports. The Department's only other fund is the general fund.

**B. Basis of Presentation**

The accompanying financial statements of Hahnville Volunteer Fire Department, Inc. have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**C. Reporting entity**

The Department receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Department is a "primary government" and is not included as a component unit of any other St. Charles Parish governmental "reporting entity" as defined in GASB pronouncements, since the entity is a non-profit corporation, and the board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Department includes all activities that are controlled by it as a quasi-public non-profit corporation organized to provide fire protection to the Parish of St. Charles. The Department has no component units.

The accounting and reporting policies of the Department conform to generally accepted accounting principles as applicable to governmental units.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
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**D. Government-wide accounting**

In accordance with Government Accounting Standards Board Statement No. 34, the Department has presented a Statement of Net Assets and a Statement of Activities for the Department as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods and services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities, these are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they were allocated.

Application of FASB Statements and Interpretations

Reporting on governmental-type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Program Revenues

The Statement of Activities presents two categories of program revenues — (1) charges for services; and (2) operating grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the Department. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for a specific use. The Department does not have any revenue from charges for services.

Indirect Expenses

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the Department has chosen not to do so.

**Operating Revenues**

Proprietary funds separately report operating and non-operating revenues. The Department does not have any proprietary funds.

**Restricted Net Assets**

Restricted net assets are those for which a constraint has been imposed either externally or by law. The Department recognizes the use of restricted resources for expenditures that comply with the specific restrictions. Restricted resources are exhausted before unrestricted net assets are used.

**E. Fund Accounting**

The Department uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the Department are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of the only existing fund type follow:

**Governmental Funds**

Governmental funds account for all of the Department's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. The general fund is the operating fund of the Department and accounts for all financial resources. It is the Department's only governmental fund.

**F. Basis of Accounting / Measurement Focus**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The accounting and financial reporting treatment applied to a fund is determined by the type of financial statement presentation.

The government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of governmental-type and business-type activities are included in the Statement of Net Assets. Revenues are recognized when earned, and

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

expenses are recognized at the time the liabilities are incurred in the Statement of Activities. In these statements, capital assets are reported and depreciated in each fund.

The fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases and decreases in net current assets. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The Department considers revenues to be "available" if they are collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources. Depreciation is a cost that is not recognized in the governmental funds. The Department does not have any business-type activities.

The department's records are maintained on the cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Sales taxes are recorded in the month the taxes are collected by the St. Charles Parish School Board. Sales taxes become payable to the St. Charles Parish School Board on the first day of the month and become delinquent on the 20<sup>th</sup> day of the month following incurrence of the taxes by businesses.

An ad valorem issue is dedicated to the operations of the nine volunteer fire departments in St. Charles Parish. The tax millage expires in 2019. Each department is to receive one ninth of annual collections. Taxes levied in November each year are available for expenditures in the subsequent year.

Interest income on investments is recorded when the investments have matured and income is available.

All other revenues are recorded when received.

The majority of the department's revenues are derived from the one-eighth of one percent sales tax and the ad valorem tax for operations.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**G. Budgets and Budgetary Accounting**

The annual budget is prepared on the cash basis of accounting by the Fire Chief. It is presented to the finance committee and, once approved, is presented to the full membership for approval. The budget is reviewed monthly by the finance committee and quarterly by the full membership and compared to actual expenditures for use in managing expenditures.

**H. Encumbrances**

The Department does not use encumbrance accounting

**I. Cash and cash equivalents and investments**

Cash and cash equivalents include amounts in demand deposits, interest-bearing demand deposits, money market accounts, time deposits, and certificates of deposit with an original maturity of less than 90 days. Under state law, the department may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the department may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

**J. Receivables**

The financial statements of the department do not contain an allowance for uncollectible receivables because management believes all amounts will be collected. However, if management becomes aware of information that would change its assessment about the collectibility of any receivable, management would write off the receivable as a bad debt at that time.

**K. Inventories**

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

**L. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**M. Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Donated assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Building improvements	10-40 years
Equipment	5-15 years
Vehicles	5-15 years

In the fund financial statements, capital assets used in the department's operations are accounted for as capital outlay expenditures of the governmental fund that provided the resources to acquire the assets. Depreciation is not computed or recorded on capital assets for purposes of the fund financial statements.

**N. Long-Term Obligations**

In the government-wide financial statements, debt and principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt and principal payments of governmental funds are recognized as expenditures when paid.

**O. Net Assets/Fund Balances**

In the Government Wide Financial Statements, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets are as follows:

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Assets

Net assets that are restricted by external sources such as creditors, grantors, contributors, or by law through either enabling legislation or constitutional provisions are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

Unrestricted Net Assets

All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Effective January 1, 2011, the Department implemented the provisions of GASB Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental fund equity is classified as fund balance. As such, fund balance of the governmental fund is classified as follows:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

Amounts that can be used only for specific purposes determined by a formal decision of the Board of Commissioners.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned

All other spendable amounts.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

**NOTE 2. CASH AND CASH EQUIVALENTS**

At December 31, 2011, the department has cash and cash equivalents (book balances) totaling \$413,474, as follows:

<b>Cash and Cash equivalents</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Credit Risk Category</b>
<b>Cash</b>					
First National Bank *U*S*A* - Checking	\$ 277,708	\$ 277,708	0.25%	Demand	Category 3
Total Cash	277,708	277,708			
<b>Cash equivalents</b>					
Certificates of Deposit:					
First National Bank *U*S*A* CD-14	57,814	57,814	0.35%	11/2/2012	Category 3
First National Bank *U*S*A* CD-15	26,170	26,170	0.25%	5/12/2012	Category 3
First National Bank *U*S*A* CD-16	26,170	26,170	0.25%	5/12/2012	Category 3
First National Bank *U*S*A* CD-17	26,170	26,170	0.25%	5/12/2012	Category 3
Total Cash equivalents	135,766	135,766			
Total Cash and Cash equivalents	\$ 413,474	\$ 414,474			

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2011, the department had a collected bank balance at First National Bank \*U\*S\*A\* of \$413,474 of which \$250,000 was secured by federal deposit insurance (category 1) and the remainder was secured by \$370,000 in pledged securities (category 3).

**NOTE 3. RECEIVABLES**

The receivables at December 31, 2011, consisted of ad valorem taxes in the amount of \$189,172 and sales taxes of \$43,073.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance at 12/31/2010	Additions	Deletions	Balance at 12/31/2011
Capital assets not being depreciated:				
Land	\$ 108,241	-	-	\$ 108,241
Total capital assets not being depreciated	108,241	-	-	108,241
Capital assets being depreciated:				
Equipment	500,059	4,623	-	504,682
Buildings	1,001,366	-	-	1,001,366
Vehicles	987,703			987,703
Total capital assets being depreciated	2,489,128	4,623	-	2,493,751
Less: accumulated depreciation	(1,248,422)	(117,454)		(1,365,876)
Total capital assets being depreciated, net	1,240,706	(112,831)	-	1,127,875
Total capital assets, net	\$ 1,348,947	(112,831)	-	\$ 1,236,116

Depreciation expense for the year was \$117,454.

**NOTE 5. LONG-TERM DEBT**

There are no long-term debts as of and for the year ended December 31, 2011.

**NOTE 6. AD VALOREM TAX**

Effective July 21, 1990, the voters of St. Charles Parish approved a property tax milage in the amount of 1.6 mils. This tax is collected by the St. Charles Parish Sheriff to be used for the fire protection of the Parish of St. Charles. The funds are distributed to the nine individual fire departments of the St. Charles Parish Firemen's Association, Inc. by the parish's Department of Finance. The department's share of the total property tax for the year ended December 31, 2011 was \$184,868 at a milage rate of 1.55.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

The ad valorem tax is levied each year by the St. Charles Parish Assessor on November 15 based upon the assessed value, less homestead exemptions. The 1st day of January preceding the annual levy date (Nov. 15th) is used as the date to value the property subject to tax. The tax becomes due on November 15 and is considered delinquent if not paid by December 31. Most of the property tax revenues are collected during the months of December, January, and February.

Government-wide financial statements

Ad valorem tax revenue is recognized in the year for which the taxes are levied. Revenue is recognized as the current year's assessment less the uncollected portion of the prior year's assessment.

Fund financial statements

The department does not consider the current year's assessment to be "available" for current year expenditures and budgets the revenue to be used in the year following the assessment, when the majority of the taxes are actually collected.

**NOTE 7. FIRE PROTECTION CONTRACT**

Effective March 1, 1980, sales tax in the amount of one-eighth of one percent is collected by the St. Charles Parish School Board and administered by the Parish President. The sales tax is to be used for the fire protection of the Parish of St. Charles. The funds are distributed monthly by the Parish President to the individual fire departments of the St. Charles Parish Firemen's Association, Inc. Effective April 4, 2011 (Ord#11-4-4), the sales tax is distributed on the following basis:

<u>Department</u>	<u>Basis</u>	<u>Funds</u>
Bayou Gauche Volunteer Fire Dept., Inc.	\$2,500	3.78%
Des Allemands Volunteer Fire Dept., Inc.	\$2,500	4.10%
East Side St. Charles Volunteer Fire Dept., Inc.	\$2,500	22.72%
Hahnville Volunteer Fire Dept., Inc.	\$2,500	7.00%
Killona Volunteer Fire Dept. Inc.	\$2,500	1.47%
Luling Volunteer Fire Dept., Inc.	\$2,500	30.85%
Norco Area Volunteer Fire Dept., Inc.	\$2,500	9.81%
Paradis Volunteer Fire Dept., Inc.	\$2,500	4.93%
St. Rose Volunteer Fire Dept., Inc.	\$2,500	15.34%

The Department receives a monthly base amount of \$2,500 plus 7.00% of the remaining funds. The total revenue under this agreement for the year ended December 31, 2011, was \$158,943

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

Sales tax receivable at December 31, 2011 of \$43,074, consists of the Department's share of the 1/8th cent sales tax for the months of November and December 2011, collected on or before December 20, 2011, by the St. Charles Parish School Board and remitted by St. Charles Parish in January and February 2012.

**NOTE 8. LEASES**

The department was donated property in Fashion Plantation in 2003. The donation of the property stipulated that the department had seven years to construct a new fire station; otherwise, the donation would be recalled. In that same year, the department entered into a lease with St. Charles Parish for a piece of property adjacent to the donated property in Fashion Plantation. The lease term is for 20 years, at no cost, subject to renewal for as long as the department has a fire station on the property adjacent to it. The department was leasing this property in order to meet with the parking requirements of the Parish. The Fashion Plantation property donation was recalled in 2010. Even though the department no longer holds the land and will not be building a fire station, the lease with St. Charles Parish is still active at year end.

**NOTE 9. GRANTS**

The Department of Agriculture and Forestry awarded the department \$3,429 in 2010. This money was not received by year-end; therefore recorded as a receivable in 2010. The money was deposited early 2011, eliminating that receivable. The department did not receive any grant income for 2011.

**NOTE 10. RISK MANAGEMENT**

The department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; illnesses or injuries to its volunteers; and natural disasters. The department has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the department's insurance coverage.

The department's management has not purchased commercial insurance or made provisions to cover or reduce the risk of loss, as a result of business interruption and certain acts of God, like floods or earthquakes.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
**HAHNVILLE, LOUISIANA**

Notes to the Financial Statements  
(Excluding the Membership Account Fund)  
As of and for the year ended December 31, 2011

**NOTE 11. SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 21, 2012, which is the date the financial statements were available to be issued.

**NOTE 12. LITIGATION AND CLAIMS**

At December 31, 2011, the department had no litigation or claims pending.

## **Reports by Management**

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.  
(Excluding the Membership Account Fund)**

**Summary of Schedule of Prior Audit Findings  
As of and for the Year Ended December 31, 2011**

**Section I – Internal Control and Compliance Material to the  
Financial Statements:**

**Ref. No.**

1012-01

**Description of Finding**

Internal Control Material Weakness

The size of the Hahnville Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

**Corrective Action Taken**

No corrective action plan is taken because of the size of the entity.

**Name of Contact Person**

Reggie Gaubert, Chief

**Anticipated Completion Date**

None

**Additional Explanation**

This is a common deficiency noted in audits of small entities. The Department's office does not employ enough people in its accounting department to adequately segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

This deficiency cannot be remedied in a cost effective manner.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.  
(Excluding the Membership Account Fund)**

**Summary of Schedule of Prior Audit Findings  
As of and for the Year Ended December 31, 2011**

**Ref. No.**

1012-02

**Description of Finding**

**Inadequate Controls over Financial Statement Preparation**

A material weakness exists in financial reporting because the Department does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

**Corrective Action Taken**

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the Department at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

**Name of Contact Person**

Reggie Gaubert, Chief

**Anticipated Completion Date**

None

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.  
(Excluding the Membership Account Fund)**

**Summary of Schedule of Prior Audit Findings  
As of and for the Year Ended December 31, 2011**

**Ref. No.**

1012-03

**Description of Finding**

Using Public Funds for the Annual Banquet and Certain Meals and Awards

During the audit, it was noted that funds from the public account were used to pay for expenditures for the Annual Banquet, including food and awards as well as certain other meals throughout the year for firemen and board members.

Article VII Section 14 of the Constitution and various Louisiana Revised Statutes generally prohibits the state and its political subdivisions from loaning, pledging or donating public funds, assets or property to persons, associations or corporations, public or private. Generally speaking, there must be a legal obligation to expend funds or use public property for a public purpose or to create a public benefit.

**Corrective Action Taken**

When this finding was originally presented; management was unaware of this law. Management informed all necessary persons that expenditures of this kind must be paid from the Private Membership Account rather than from public funds and ceased this practice immediately.

In June 2012, Act 349 was approved allowing some taxpayer funding to be spent on volunteer meals and incentives, within limits, thus reducing the need to rely solely on private donations for these types of expenditures.

**Name of Contact Person**

Reggie Gaubert, Chief

**Completion Date**

June 29, 2011

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.  
(Excluding the Membership Account Fund)**

**Summary of Schedule of Current Year Audit Findings  
As of and for the Year Ended December 31, 2011**

**Section I – Internal Control and Compliance Material to the  
Financial Statements:**

**Ref. No.**

1112-01

**Description of Finding**

Internal Control Material Weakness

The size of the Hahnville Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

**Corrective Action Planned**

No corrective action plan is taken because of the size of the entity.

**Name of Contact Person**

Reggie Gaubert, Chief

**Anticipated Completion Date**

None

**Additional Explanation**

This is a common deficiency noted in audits of small entities. The Department's office does not employ enough people in its accounting department to adequately segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

This deficiency cannot be remedied in a cost effective manner.

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.  
(Excluding the Membership Account Fund)**

**Summary of Schedule of Current Year Audit Findings  
As of and for the Year Ended December 31, 2011**

**Ref. No.**

1112-02

**Description of Finding**

**Inadequate Controls over Financial Statement Preparation**

A material weakness exists in financial reporting because the Department does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

**Corrective Action Plan**

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the Department at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

**Name of Contact Person**

Reggie Gaubert, Chief

**Anticipated Completion Date**

None

**HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.  
(Excluding the Membership Account Fund)**

**Summary of Schedule of Current Year Audit Findings  
As of and for the Year Ended December 31, 2011**

**Ref. No.**

1112-03

**Description of Finding**

**Using Public Funds for Certain Meals and Awards**

Article VII Section 14 of the Constitution and various Louisiana Revised Statutes generally prohibits the state and its political subdivisions from loaning, pledging or donating public funds, assets or property to persons, associations or corporations, public or private. Generally speaking, there must be a legal obligation to expend funds or use public property for a public purpose or to create a public benefit.

During the 2010 audit, it was noted that funds from the public account were used to pay for certain expenditures, including food and awards as well as certain other meals for firemen and board members. This was brought to the attention of management in June 2011. At which time all such expenditures ceased.

**Corrective Action Plan**

When this finding was originally presented in the course of the prior year's audit; management was unaware of this law. Management informed all necessary persons that expenditures of this kind must be paid from the Private Membership Account rather than from public funds and ceased this practice immediately.

In June 2012, Act 349 was approved allowing some taxpayer funding to be spent on volunteer meals and incentives, within limits, thus reducing the need to rely solely on private donations for these types of expenditures.

**Name of Contact Person**

Reggie Gaubert, Chief

**Anticipated Completion Date**

June 29, 2011

**OTHER REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS***



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Board of Directors  
Hahnville Volunteer Fire Department, Inc.  
Hahnville, Louisiana**

We have audited the accompanying financial statements of the general fund of the Hahnville Volunteer Fire Department, Inc. (the department) as of and for the year ended December 31, 2011, which collectively comprise the Department's basic financial statements and have issued our report thereon dated June 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current year audit findings we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis. We consider the deficiencies described in the accompanying schedule of current year audit findings to be material weaknesses, see findings (1112-01 and 1112-02).

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are describe in the accompanying schedule of current year audit findings, see finding (1112-03).

This report is intended solely for the information and use of the Department's Board, those governments for which reporting is required, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



Thibodaux, Louisiana  
June 21, 2012